

**CITY OF MORGAN HILL
JOINT SPECIAL AND REGULAR REDEVELOPMENT
AND SPECIAL CITY COUNCIL MEETING
MINUTES – SEPTEMBER 24, 2003**

CALL TO ORDER

Chairperson/Mayor Kennedy called the special meeting to order at 5:05 p.m.

ROLL CALL ATTENDANCE

Present: Agency/Council Members Sellers, Tate and Chairperson/Mayor Kennedy.
Late: Agency/Council Members Carr, Chang (both arrived at 5:10 p.m.)

DECLARATION OF POSTING OF AGENDA

Agency Secretary/City Clerk Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

City Council Action

1. CRIME CONTROL STRATEGY WORKSHOP

Chief of Police Galvin presented the staff report. He indicated that in January 2003, the Council discussed goals and objectives for the 2003 calendar year. One goal identified by the Council was to have a crime control strategy presentation by the Police Department. A five minute video presentation was presented that talked about the Police Department's recruitment efforts. He identified how crimes are documented and what are the particular problems that are found in Morgan Hill. He said that the Uniform Crime Reporting System is used to report the 8 major offense categories to the FBI by Police Chiefs and Sheriffs. He stated that it is the primary responsibility of local police departments to address the eight major offences with a joint responsibility with the Fire Department on arson cases. He stated that the Morgan Hill Police Department is meticulous on how it reports crime; accounting for a possible increase in crimes seen over the last couple of years. He said that the Mail Out Report was implemented in 1992 as a result of the financial problems the City was facing at the time. He said that about 20% of the police reports are generated by citizens through Mail Out Reports for minor offenses/crimes. He compared the City's crime rates to those of other cities in the County, including successes in solving crimes. He said that the City has to retain a reasonable number of police officers to support the community, especially as it grows. He said that the three major challenges to the community are: domestic violence (biggest problem), drugs (including alcohol), and gang activities.

Sergeant Dave Swing addressed domestic violence. He said that domestic violence incidents accounts for 2 of the 3 past homicides in the community. Comparing a six month period from last year to the same six month period this year, domestic violence incidents have increased 16% in the City. He identified the strategies currently being employed by the Police Department to help with domestic violence investigations as follows: training, collaboration (with Community Solutions), documentation, enforcement, and equipment (e.g., digital camera tool used in field). He said that other strategies include the following: officers to conduct follow ups whenever possible acquire digital audio recorders for police officers to have in the field to record statements at the scene, continue to work with Community Solutions and continue the advocacy/outreach efforts.

Lieutenant Joe Sampson addressed drug sales and drug abuse, indicating that the strategy is directed enforcement coupled with consistent community support. He said that City employees participate in the Unified Narcotics Enforcement Team (UNET), a county-wide team sponsored by the Department of Justice. He stated that UNET consists of officers from the tri county area and that Morgan Hill has one officer currently assigned to the team. He indicated that UNET is active in the pursuit of cases involving the sale and manufacturing of narcotics. He felt that the UNET team benefits the City of Morgan Hill because of its ability to work with confidential enforcement; it deploys unified county resources and stages lengthy labor intensive assaults with suspected narcotic traffickers. The third crime control strategy is based on the aggressive pursuit of case clearance through the City's investigating unit.

School Resources Officer Rojas addressed strategies as they relate to and deal with gangs and gang related criminal activities. By enforcing a color ban, the school administration enhances campus safety. The police department, as a whole, responds to each gang related incident with as many resources as possible to offset the threat to safety. She said that the affects that the street gangs impose on the community at large are those associated with deterioration of a neighborhood through vandalism and graffiti activities. She said that the police department makes every effort to educate the residents of identified areas in how to recognize gang members and encourage them to take an active part to remove the activity by reporting gang related activities. The Morgan Hill police department has gang officers that keep abreast of the current trends of street gangs. These officers also attend Santa Clara County Probation and Parole Gang meetings as well as Tri-County Gang Meetings on a monthly basis.

Officer Max Cervantes indicated that police officers introduced new "soft" uniforms worn by the School Resources Officers at the middle and high schools. This uniform allows the School Resource Officers to be a little more approachable.

Lieutenant Terrie Booten addressed the police department's crime control strategies: problem oriented policing; focus on areas of concentration; use of tools (e.g., Neighborhood Watch Programs, Mr. McGruff, bicycle patrol, and K-9 Program); and resources (develop/implement municipal codes to combat juvenal crimes late at night, going into neighborhoods and abandoned homes, work with code enforcement officer, and other cooperative participations with Community Solutions, downtown merchants and service groups, etc.).

Chief of Police Galvin addressed two technological advancements that have been helpful in solving crimes: DNA testing and automation of finger printing. Locally, there are four areas that the police department is making progress: 1) within 90 days, the City will have a County-wide crime analysis system county-wide. The City will be able to access crime trends and data. 2) The City will be up and running on a mutual aid channel. 3) An enhanced wireless 911 technology will send most information and most calls for service to the City's dispatch center, an improvement from past years. 4) Use of computers that eliminates the need for data clerks, tapes, etc., that slow down the process. He addressed the evaluation form that will be sent out randomly based on case numbers to citizens asking them to evaluate police services to help measure performance levels. He said that the City/Council has an excellent team of sworn and civilian officers in the police department that will move the police department forward. He said that the future is bright for the police department as it will have a new facility and a newly designed police patch, unique to the community. He indicated that the police

department is appreciative of the Council's support for the new police facility that will assist the police officers do a better job in an efficient and effective manner for the community.

Mayor Kennedy stated that he has been on the Council for 13 years and that this is the best presentation he has seen presented by police staff as it is thorough and complete. Of the successes that have been experienced, he inquired what success Chief Galvin would like to build upon.

Chief of Police Galvin said that this community has a great interest through the YES Program and other activities that look to the community's youth. He indicated that he and Mayor Kennedy have discussed a police probation team that would deal with young offenders very early on, diverting them out of the criminal justice system/juvenile hall. A police probation team would be something that could be addressed early on and turn youths around. He said that City will be going through a difficult financial time the next 4-5 years. It is his hope that the police department will be able to maintain financial support from the City. He said that there has been a trend for City employees to move out of the City and that the trend has been reversed, noting that a lot of the police officers are moving back to the community. He said that the home assistance program has been an asset.

Council Member Tate stated that he was intrigued by the productivity/efficiency that is achieved when you look at the fact that Morgan Hill is the third worst in the County crime statistics wise. He noted that the Morgan Hill police department is very productive. He felt that citizens need to understand that they are getting more for their money.

Council Member Carr noted that Officer Rojas talked about geographical areas in relationship to gang problems. He felt that the City could pursue crime control strategies that are not solely related to the police department. He said that economic development can be a tool that can be used among other tools at city hall in order to address crimes in specific geographic areas.

Chief of Police Galvin stated that the City needs to be careful not to place a "tag" on a particular neighborhood. He said that Morgan Hill does not have any real bad neighborhoods. There are areas of concern where there are higher densities and lower economics that looks to crime. He said that he is hesitant and careful on trying not to label any neighborhoods as there good neighborhoods throughout the City.

Council Member Carr said that he was not necessarily referring to residential neighborhoods. He felt that there may be some shopping centers or business areas that can address crime with the use of economic development.

Mayor Kennedy suggested that the presentation, or portions of the presentation, be aired on Channel 17 and that certain portions be posted of the City's website as it is an important presentation that should be made available to the community.

Action: *No Action Taken.*

Redevelopment Agency and City Council Action

CLOSED SESSIONS:

City Attorney Leichter announced the following closed sessions.

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Authority: Government Code Sections 54956.9(b) & (c)
Number of Potential Cases: 2

2.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Legal Authority: Government Code 54957
Public Employee Performance Evaluation: City Manager
Attendees: City Council, City Manager

OPPORTUNITY FOR PUBLIC COMMENT

Chairperson/Mayor Kennedy opened the Closed Session items to public comment. No comments were offered.

ADJOURN TO CLOSED SESSION

Chairperson/Mayor Kennedy adjourned the meeting to Closed Session at 6:15 p.m.

RECONVENE

Chairperson/Mayor Kennedy reconvened the meeting at 7:03 p.m.

CLOSED SESSION ANNOUNCEMENT

Chairperson/Mayor Kennedy announced that no action was taken on the City Attorney's performance evaluation closed session item and that the remainder of the closed session items would be continued to the conclusion of the open session meeting.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

At the invitation of Chairperson/Mayor Kennedy, Andrew Barna, Daughters of Charity, led the Pledge of Allegiance.

SUBCOMMITTEE REPORTS

Mayor Kennedy indicated that he is the Santa Clara County Cities Association representative to the Santa Clara Valley Transportation Authority (VTA) Financial Ad Hoc Committee. The Committee met this

morning, indicating that VTA asked a judge to make a ruling on whether the Measure A transportation funds could be used to pay for a bond indebtedness to fund operating costs for the VTA. He indicated that the judge ruled that this was possible. The effect of this ruling is that it will allow VTA to continue operating without having to make drastic cuts in their operating costs and in the operations of their various means of transportation, especially bus and light rail services, and Caltrain. He said that 21% additional cuts would have occurred had the judge not made this ruling. He announced that he and Mayor Pro Tempore Chang both recently visited the City's newest sister city in San Martin de Hidalgo, Mexico. He indicated that he and Mayor Pro Tempore Chang were warmly welcomed by their mayor, 12-member city council and citizens. He shared mementos received that included a key to the city, a hand made attractive plaque with the Morgan Hill logo and other gifts. He said that one of the most moving parts of the visit was a tour of a small park built in one of the community's barrios as a result of their mayor's visit to Morgan Hill. The park is named "Morgan Hill Park." He looks forward to a long lasting relationship, building bridges with the community of Mexico. He noted that there is a large Latino population in Morgan Hill and that there is a natural connection to have a Sister City in Mexico. He said that the Mayor, his staff and several council members will be visiting Morgan Hill for the Fourth of July celebration. The challenge will be to reciprocate in some fashion as they did to Morgan Hill and repeat their warm welcome.

Mayor Pro Tempore Chang said that it was a great visit to San Martin de Hidalgo as were the people and the culture. She said that she has pictures to share and caps from San Martin di Hidalgo for each Council Member.

Council Member Sellers thanked Mayor Kennedy and Mayor Pro Tempore Chang for spending their own time as well as their own money to go on this trip and establish this Sister City relationship.

PRESENTATIONS

Daughters of Charity representative, Joanne Allen, Senior Vice-President and Chief Strategic/Medical Services Officer, O'Connor Hospital, presented a power point presentation on the strategic draft plan for the Morgan Hill site. She indicated that on September 22, 2003 the Daughters of Charity Board accepted a new name for the campus in Morgan Hill, the "DePaul Health Center." She indicated that the Daughters of Charity will be applying for permits and the name of the facility with their attorney and the City.

Andrew Barna, Director of Strategic Development, addressed what the Daughters of Charity would be bringing to the City of Morgan Hill and to the new DePaul Health Center. He said a strategic plan has been created that focuses their efforts. He addressed mission services, clinical/service excellence, employer/employee relationship, partnering with physicians, growth of the facility; and financial excellence/stability. He said that these are the driving strategies that would be brought to the DePaul Health Center.

Ms. Allen said that it is expected to fully lease the medical office building with local physicians by July 2004 (90% occupancy). She said that the Daughters of Charity are talking with physicians in Morgan Hill who may be interested in moving to the DePaul Health Center. They are finalizing discussions with approximately nine Morgan Hill physicians. It is expected that space will run out for potential

physicians, reiterating that they are extending invitations to Morgan Hill physicians then to Gilroy physicians. In collaboration with St. Louise Regional Hospital, laboratory and radiology services will be made available at the site within six months. She said that there are physicians interested in venturing with the Daughters of Charity for urgent care center services. She said that Kaiser is interested in some of the building site but that she was not sure if they were interested in the entire site. If Kaiser only wants to utilize a portion of the facility, the Daughters of Charity will investigate who else could be brought into the facility to offer medical services. The Daughters of Charity has also had discussions with children hospitals to bring pediatric services to the site (e.g., UCS in Fresno and Oakland's Children's Hospital). They are in conversations with architects about the adjacent site with regards to an assisted skilled facility and looking at partnering with them in order to provide a full scope of assisted living services in Morgan Hill. Plans are being put together for a feasibility report, looking at the financing and working with Barry Swenson as well as the builder. She will have discussions next week with Kindred Care, a long term sub acute provider of services. She said that this team will be in the Morgan Hill facility once a week and can be found in the acute/general administration side of the facility. She said that they are looking at turning on the power and water in anticipating of moving quickly with the scope of bringing healthcare services to Morgan Hill. She indicated that physicians will be moving into the new medical office building who are signing leases and giving terms to their existing landlords. She said that new life will be seen in the new medical office facility as well as new signage.

Vice-chair/Mayor Pro Tempore Chang agreed with Mayor Kennedy that this is exciting news. She inquired whether there will be an increase in general practitioner or internal medicine physicians.

Ms. Allen indicated that there are two internal medicine physicians in collaboration with the St. Louise Regional Hospital who are moving their practices from Kentucky to O'Connor Hospital. She identified that they both are board certified in internal medicine. She said that Daughter's of Charity/O'Connor Hospital are looking at a strong primary care base at the facility with specialists that are needed in the community. Being contemplated is a time share suite to be used by specialists once or twice a week. It is proposed to have a blend of primary care physicians, especially for the urgent care center, as well as specialists. She requested Council continued support.

OTHER REPORTS

Executive Director/City Manager Tewes reported that the results of the monthly testing of the City's domestic water wells have been received. He said that in all instances, the wells have been found to be non detect for perchlorate. He indicated that the Council has directed that the City engage in a regiment of testing that is more than the State would otherwise require on a monthly basis. He thanked the Perchlorate Citizens Advisory Group chaired by Sylvia Hamilton of San Martin. They have discussed this issue in a very responsible fashion and have met with the County Health Officer as well as the State officer who determines the standards for drinking water. He said that this group has done a tremendous job in understanding the rigor in which the water standards are set and the impacts to health. He felt that this citizens group has done a good job in disseminating this information to the community in a responsible way.

CITY TREASURER'S REPORT

The City Treasurer's Report was deferred to a future meeting date.

PUBLIC COMMENTS

Chairman/Mayor Kennedy opened the floor to public comment for items not appearing on this evening's agenda. No comments were offered.

Redevelopment Agency Action

CONSENT CALENDAR:

Chairman Kennedy removed item 2 from the Consent Calendar for brief comments.

2. AUGUST 2003 FINANCE & INVESTMENT REPORT

Chairman Kennedy said that in reading the summary, it is interesting for the public to know that with respect to the Redevelopment Agency's revenue and income, the amended Redevelopment Agency has a cap of \$147 million. As of this date, the City has received \$56,144,486. This amount is over a third of the Redevelopment Agency revenues. He was not sure whether the public was aware of how much the Redevelopment Agency has played a role in the development of the community with the new Community and Cultural Center, new aquatics center and infrastructure such as Butterfield Boulevard. He said that the Redevelopment Agency has helped the City with a number of projects that have been built or under way.

Action: By consensus, the Agency Board **Accepted** and **Filed** the report.

Redevelopment Agency and City Council Action

CONSENT CALENDAR:

Action: On a motion by Agency/Council Member Sellers and seconded by Agency/Council Member Carr, the Agency Board/Council unanimously (5-0) **Approved** Consent Calendar Items 3-5, as follows:

3. RE-BUDGETING 2002-2003 PROJECTS/PROGRAMS

Action: **Approved** the Re-budgeting of 2002-2003 Project/Program Costs in the 2003-2004 Budget.

4. CARRYOVER OF ENCUMBRANCES FROM 2002-2003

Action: **Filed** Report.

5. SPECIAL AND REGULAR CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES OF SEPTEMBER 17, 2003

Action: *Approved the Minutes as Written.*

City Council Action

CONSENT CALENDAR:

Mayor Pro Tempore Chang removed item 6 from the Consent Calendar for brief comment.

Action: *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council unanimously (5-0) Approved Consent Calendar Items 7-11, as follows:*

7. **ESTABLISHMENT OF CLASSIFICATION AND SALARY RANGE FOR NEW POSITION OF RECREATION SERVICES COORDINATOR**
***Action:** Adopted New Job Description and Salary Range for the Position of Recreation Services Coordinator*
8. **ESTABLISHMENT OF ADDITIONAL POLICE OFFICER POSITION FOR LIMITED PERIOD BECAUSE OF UNUSUAL CIRCUMSTANCES**
***Action:** 1) Established Additional Police Officer Position for Limited Period; and 2) Appropriated \$60,000 in the General Fund (010) for Fiscal Year 2003/04.*
9. **ADOPTION OF RESOLUTION IN SUPPORT OF WATER RESOURCES PROTECTION COLLABORATIVE**
***Action:** Adopted Resolution No. 5720 in Support*
10. **APPROVAL OF AMENDED PURCHASE AGREEMENT FOR TENNANT AVENUE WIDENING PROJECT (APN: 817-04-007)**
***Action(s):** 1) Approved Amended Purchase Agreement; and 2) Authorized the City Manager to Execute Purchase Agreement, Subject to Approval as to Form by the City Attorney, with the Owners of APN 817-04-007 for Total Compensation of \$51,500 Plus Escrow and Closing Costs.*
11. **AQUATICS CENTER PROJECT – AUGUST CONSTRUCTION PROGRESS REPORT, ADDITIVE ALTERNATIVES AND LEEDS CERTIFICATION PROCESS**
***Action(s):** 1) Received Progress Report – Information Only; 2) Approved the Addition of Bid Alternatives: #1 Deep Competition Pool, #2-Sprayground, #3-Six Lane Instructional Pool and #6-Integral Colored Concrete Pool Deck for a Total Contract Change Order of \$341,728; and 3) Directed Staff to Proceed with Attaining LEED's Rating Without Actually Receiving Certification.*
6. **ALTERNATIVES TO SPRINKLER PROTECTION FOR RESIDENTIAL TO COMMERCIAL CONVERSIONS IN DOWNTOWN**

Mayor Pro Tempore Chang complimented Director of Business Assistance and Housing Services Toy and Assistant to the City Manager Dile for coming up with the guidelines for alternative methods to promote conversions from residential to commercial in the downtown areas, especially for small businesses.

Action: *On a motion by Council Member Tate and seconded by Council Member Carr, the City Council unanimously (5-0) **Approved** the Guidelines for Alternative Methods and Materials for In-Lieu Sprinkler Protection for Residential to Commercial Conversions in Downtown.*

Redevelopment Agency and City Council Action

OTHER BUSINESS:

12. SELECTION CRITERIA FOR THE DOWNTOWN REQUEST FOR CONCEPTS PROCESS

Director of Business Assistance and Housing Services Toy presented the staff report. He indicated that the Economic Development Committee (EDC), consisting of Council Members Carr and Tate, have also considered comments from the Morgan Hill Downtown Association. The EDC felt that the criteria reflects the suggestions from the Morgan Hill Downtown Association. He gave examples of high priorities that would encourage new investment in the downtown to strengthen the downtown by emphasis on infill development. He indicated that mid level priorities deal with higher densities in the downtown as well as total potential cost to the Agency. In terms of low priorities, he said that it was important to note that the EDC and staff recognizes that many of the low priorities may move to higher levels of importance as the City moves through the process. He indicated that staff and the EDC are recommending that the proposals be divided into two categories: Category 1 – information gathering; and Category 2 – quick hitters. He said that it is the overall objective of Category 1 to rank the proposals and then determine how they should proceed in the process. Regarding Category 2, it is proposed to sort projects into this category if they meet the following criteria: conforms to the downtown plan, can be implemented with minimal cost, implemented quickly to show results, require a minimum amount of funding or can be funded with existing programs. In terms of the review process, he indicated that staff and the EDC would evaluate and determine which proposals fall under Category 1 or 2. He said that it is a goal to implement Category 2 projects in a timely manner and that if for some reason, a solution or an agreement cannot be reached with the different proposers, the project would be placed into Category 1 in order to collect more information, be evaluated or a determination be made that the proposal should not proceed at this time based on the fact that it is not a high priority project. Any programs that require additional financial assistance beyond the existing program would need to be brought back to the Agency for consideration. Therefore, the full Agency Board would always see concepts not being funded outside of standard programs. He stated that the EDC would report back to the Agency on the status of the quick hitter proposals. He said that the EDC recommends specific ranking of the category 1 proposals, specific proposals that should be invited to continue in the process, and the specific RFP process to be followed. He stated that prior to the issuance of an RFP; the EDC would recommend to the Agency as to the advisory role of the Morgan Hill Downtown Association in the process.

Agency/Council Member Carr indicated that Mr. Toy made a thorough report. He said that the EDC and staff have spent a lot of time thinking about the process, and reviewing the comments that the Downtown Association sent for review. He felt that the EDC has a good idea of how to move forward quickly.

Agency/Council Member Tate agreed that the EDC had a wealth of input on different approaches. The EDC found a way to subdivide proposals into a couple of categories and how to approach them.

Agency/Council Member Carr said that the selection criteria is not set in stone as the EDC would like to incorporate some flexibility in the process as the City moves through this process.

Chairman/Mayor Kennedy stated that as he read through the criteria and the process, he felt that the EDC has done an excellent job in putting the proposal together. He liked the idea of having quick hitters and two different categories as this provides flexibility to move forward.

Vice-chair/Mayor Pro Tempore Chang thanked Agency/Council Member Tate and Carr for being the back bone for their contribution to the selection criteria.

Chairman/Mayor Kennedy opened the public comment.

Dan Craig, Morgan Hill Downtown Association, indicated that there were board and committee members in attendance this evening. He said that the Downtown Association is excited about the 23 proposals submitted as a result of the RFC as there is a lot of interest, activities, and potential for the downtown. He informed the Agency Board/Council members that the Downtown Association was asked to respond to the draft criteria of the EDC. He presented the Council with a copy of the Downtown Association's draft comments. While it is true that the Downtown Association's criterion was considered, the Downtown Association did not expect to bring anything new to the criteria. However, the Downtown Association felt that the criterion was too broad. It was the intent of the Downtown Association to consolidate what was important to them. He indicated that the Downtown Association was not in attendance to oppose or go against staff's recommendation. However, he requested that that Downtown Association's criteria be included as an attachment or addendum that can remain with the process so that their specific criteria/priorities could be part of the consideration. He said that there were several items that were important to the Downtown Association as they were developing their list of criteria. He said that the Downtown Association believes that there are important considerations that need to be taken into account based on the limited resources. The Downtown Association is supportive of low interest loans before considering grants in order to achieve more from the limited resources. Also, the Downtown Association would like to see a revolving loan fund so that funds that are paid back can go back into the downtown for future projects. The Downtown Association would like to know whether the \$3 million is the only amount earmarked for the downtown. It is their hope that some of the public infrastructure projects (e.g., entryway treatments, Third Street improvements) would find other sources of funds so that the City is not in a position of an "either or" proposal. The \$3 million can be dedicated to private proposals that have been seen in the process. He said that item 4 in the handout should be considered if Measure P restrictions are an impediment to downtown housing. He said that the Downtown Association is afraid that even if there are financial incentives to promote housing in the downtown that Measure P would somehow impede this process. The Downtown Association sees downtown as a "smart growth" zone with high density transient oriented development. An exemption to Measure P would generate a lot of interest in the downtown to develop housing that would otherwise see an extraneous project outside the downtown area.

Agency/Council Member Tate felt that Mr. Craig expressed a legitimate concern relating to Measure P

the way it exists today. He noted that the recommendations from the Measure P Update Task Force would be presented to the Council on October 15 following review and comment by the Planning Commission. He said that it was his recollection that the recommended update on Measure P to be placed on the March 2004 ballot would directly address Mr. Craig's concerns and recommendation. He encouraged Mr. Craig to attend the review sessions with the Council on the proposed Measure P update.

Chairman/Mayor Kennedy inquired whether staff has given thought to recycling the funds that are on loan.

Executive Director/City Manager Tewes said that the Council has allocated all of the \$147 million into various categories. As this is to be a short term loan, it was not deducted from any categories as it was treated as a cash flow item. Therefore, it is not new money that would be recycled back into the downtown. The City borrowed this money from other projects that have been allocated by the Agency Board/Council. He said that it was important to note that the Council has indicated that later in this calendar year, it would sit down again and think about all of its priorities and some of the issues to be discussed at that time. Whether or not any of the financial assistance to be provided would be considered, a revolving fund with the proceeds of the loans returning to the downtown is a policy matter for the Agency Board/Council to consider. As the City receives more information, it will learn whether loans are more appropriate versus grants and that the City structures them to meet the needs of the project.

Leslie Miles indicated that she is the president of the Downtown Association and the recipient of a \$350,000 low interest, short term loan on the Granary project. She said that this loan allowed her to propel this project into a \$1.2 million loan from South Valley National Bank in order to expedite this project. She indicated that a number of board members own property or own businesses in the downtown. The Downtown Association Board Members feel that the short term, low interest loan program is an opportunity to jump start projects in the downtown area as it is hard to attain financing for some of the projects in the downtown. She said that the Downtown Association would like to make sure that loans/grants given by the City are awarded to truly viable business owners, individuals who have experience in development, and experience in property ownership/running businesses.

No further comments were offered.

Agency/Council Member Sellers felt that overall, the EDC did a good job in evaluating the criteria process. He stated that he would have switched categories 1 and 2 as category 1 items are being done quickly and that some thought is being given to category 2. He said that some of the low priority items were important to him. He felt that part of the process was making a declaration to the public as to what the Agency/Council is trying to achieve and how it is going about it. He indicated that it would be helpful, in the public's understanding, what the Council/Agency was trying to do and participate in the process. He said that it will be vital as a Council/City that it makes sure that the process is fair, clear and that project proponents follow the process. He felt that it made sense to consider loans, whenever possible, so that the funds can be recirculated. He wanted to make sure that what is being discussed is a loan that would have the same characteristics as a traditional bank loan and provides an opportunity to recirculate some of the funds where a grant would not. He said that it is crucial that the City undertakes the quick hit projects as quickly as possible as the holiday season is coming up. Also, there is a lot of momentum that is taking place in the downtown. Therefore, it would be helpful to see this supplement

the downtown. It is crucial to see this influx of funds get new projects underway. He inquired if there was any way that the EDC could undertake an initial review of the quick hit projects by the end of the month and whether this needs to come back to the Council before they can be implemented. He inquired as to the timeline being anticipated by the EDC as he would like to see this undertaken as quickly as possible. He did not know if each project had to return to the Agency/Council before being considered.

Agency Member Carr said that one of the things that will speed up quick hit projects is if they could be acted upon with existing programs. It is the hope of the EDC to be able to funnel a lot of the quick hitters into existing programs and not have to come back to the Agency/Council and go through various kinds of process. If a quick hit project is covered by an existing program, they do not have to return to the Agency/Council. If the project is beyond the scope of an existing program, the project would need to return to the Agency/Council.

Agency/Council Member Tate said that the EDC would like to bring proposals before the Agency/Council if the proposals do not fit existing programs. However, the EDC would expedite the review before Agency/Council.

Vice-chair/Mayor Pro Tempore Chang understands that the EDC has come up with two categories. She inquired how much funding of the \$3 million is being recommended for quick hit projects and for the other projects.

Agency/Council Member Carr did not believe that funding has been defined in order to allow flexibility. If the City can move proposals into existing programs, the City could move them along quicker in a funding source that already exists and not take away dollars that could be used for other projects. He said that the EDC has not set aside funding for the quick hitters because the EDC may review the proposals and identify quick hitters. However, once reviewed, it may be decided that the proposal is more involved and would need to follow the process. He felt that the City would limit itself too much if it started to split up the \$3 million into different categories.

Agency/Council Member Sellers said that there will be those projects that can proceed if approved and that there are those that can proceed immediately. He said that there are a few proposals that are viable at this time and that if they wait 3-6 months to go through the process, they may no longer be viable. He recommended that these proposals be considered. He challenged the EDC to return to the Agency/Council by October 15 with the initial quick hit projects that are deemed able to proceed as it would mean a lot to the downtown if the EDC was able to do so.

Chairman/Mayor Kennedy supported Ms. Miles' comments and suggestion about the concept of using short term loans to help projects get the financing that they need quickly. He encouraged the EDC to do so assuming that the Agency/Council agrees that it wants the EDC to continue to be the group that will prioritize and categorize the proposals. He felt that it makes sense to continue with the EDC as they have worked on the selection criteria/process up to this point.

Agency/Council Member Sellers said that it would be conceivable that there would be a separate entity that would be reviewing downtown projects. If it turns out that it will be a process that the category 1, long term projects, take more time and are more involved, it may be worthwhile to consider having a

separate process for these as the EDC is involved in other projects as well. If it turns out that this significantly expands the scope of work of the EDC, he expects the EDC members to return to the Agency/Council and advise it that this is the case. Short of this, he felt that it made sense to continue with the EDC.

Chairman/Mayor Kennedy indicated that he recollected funding \$3 million to be used as follows: \$1 million for Economic Development, \$1 million for housing, and \$1 million for infrastructure.

Agency/Council Member Carr did not believe that the Agency/Council has stated that the \$3 million is all that would be made available to implement the Downtown Plan. The EDC came back with the idea that the downtown competition would be a catalyst to get individuals to put proposals on the table as part of an economic development strategy. He said that the immediate proposals may kick start the downtown and should be at the forefront.

Vice-chair/Mayor Pro Tempore Chang did not see financial assistance on the commercial side.

Mr. Toy stated that a few years ago, the Council approved a conceptual commercial rehab program. However, it was put on hold pending approval of the Downtown Plan. It was felt that once the Downtown Plan was approved, it would dictate that the City creates a commercial rehab program. As part of the downtown RFC process, the EDC has discussed that this could be something that could be developed as a quick hit program to address proposals such as the Diaz's proposal.

Agency/Council Member Carr noted that the Council has taken action on the sprinklers and other kinds of improvements that need to take place and would be great tools to assist small commercial rehab proposals.

Vice-chair/Mayor Pro Tempore Chang indicated that she would refer the fees being charged for additions to residential versus commercial districts to the EDC for its review. She noted that there is a 15% difference in fees charged to residential additions in commercial zones.

Action: *On a motion by Agency/Council Member Sellers and seconded by Vice-chair/Mayor Pro Tempore Chang, the Agency/Council unanimously (5-0) **Approved** the Selection Criteria and Process with the added recommendation that the EDC gives consideration to loans, when possible, and try to recirculate some of the prior loans as well.*

Vice-chair/Mayor Pro Tempore Chang presented Council Members with a hat from San Martin de Hidalgo. She indicated that her husband was been recognized as a distinguished professor for the Navel Post Graduate School. She requested that Council members sign a proclamation acknowledging this recognition.

City Council Action

OTHER BUSINESS:

13. GREENBELT ALLIANCE PLAN FOR COYOTE VALLEY

Director of Community Development Bischoff presented the staff report, indicating that the City of San Jose has plans for the Coyote Valley area, specifically the northern area being planned for industrial development, the central portion for residential development and the southern portion as a greenbelt. In response to the City of San Jose's plans to develop Coyote Valley, the Greenbelt Alliance has convened a year long series of workshops that includes a lot of different stakeholders in the area who have an interest in Coyote Valley to address the development issues and try to come up with a vision/plan for the Coyote Valley. He indicated that Mayor Kennedy serves on this committee and helped develop this vision. As a result of this year long effort, the Greenbelt Alliance produced a document entitled "Getting it Right, Preventing Sprawl in Coyote Valley. He indicated that in attendance to address the Council this evening was Jessica Fitchen, the South Bay Field Representative for the Greenbelt Alliance with respect to this plan and its contents. He requested that the Council consider this plan and provide any comments it wishes with the direction that the City continues to monitor the City of San Jose's independent efforts to plan for development in the Coyote Valley area.

Ms. Fitchen provided the Council with a Fact Sheet that contains a general overview and some assumptions of Coyote Valley development, including the process by which the vision document came about and the next steps. She said that the vision document is a vision and is not meant to be a plan, a blue print, or something that would supercede the city's process that has been underway for a while. It is meant to be a set of policy statements and components that would be incorporated in the City of San Jose's specific plan. The vision document is meant to be a resource for this process. She indicated that the Greenbelt Alliance decided not to challenge San Jose's target of 50,000 jobs and 25,000 housing units because it was felt that there was no way that this vision would be reviewed by the City of San Jose if they did not take some of their initial assumptions as fact. It is a goal to preserve the agricultural heritage of the valley and that there be thought given to economic and social vitality, a new town approach. There is a concern that the way the City of San Jose currently has Coyote Valley laid out in its general plan is that the northern part of Coyote Valley would be campus industrial, all single use offices; mid Coyote Valley would be residential; and that south Coyote Valley would be the greenbelt.

Ms. Fitchen stated that the Greenbelt Alliance is calling for the City of San Jose to dissolve the boundary between north and mid Coyote Valley and plan a series of neighborhoods anchored by a town center. The Greenbelt Alliance does not want to see segregated employment centers. It is being recommended that residential uses be spread throughout the landscaped area rather than being sited in a compact form. She indicated that Coyote Valley is fairly large at approximately 11 square miles (7,000 acres) and that development would be a significant planning project for the City of San Jose. The vision depicts the City of San Jose's target of 50,000 primary support jobs and 25,000 residential units with a population of approximately 80,000 individuals being projected for Coyote Valley. This is a population greater than Morgan Hill and Gilroy combined. She presented a footprint of a future new town in both north and mid Coyote Valley and protected agricultural land along Monterey Road as well as park land, recreational uses and regional parks. Also, to be incorporated were neighborhood centers as well as a high school and junior high school. She indicated that there were a couple of items recommended to be achieved in the Vision with regards to smart growth in a green field development, including the integration of open space, the fundamental framework from which you would then build. If a new town is to be built, it is felt that there needs to be a jobs/housing balance, integrating affordable housing components (20% of affordability) and the different types of jobs with these housing units. She addressed hydrology,

indicating that Fisher Creek will be used as a greenway, a food belt and would preserve/promote agriculture on the urban edge. She further addressed the open space system, traffic, circulation, transit system, town structure with neighborhood centers, and social equity through design as well as the economic benefits associated with smart growth.

Mayor Kennedy indicated that an article in the San Jose Mercury states that this is a wonderful resource for the City of San Jose to use in their planning process.

Council Member Sellers said that this was an impressive document. He felt that as the City of San Jose proceeds in the process of developing Coyote Valley, the City of Morgan Hill needs to try to impose itself in the process more than it has been, recognizing the sovereignty of San Jose and the right to make their own decisions. However, the impacts to Morgan Hill would be severe regardless of the well planned and well considered proposal as derived by the Greenbelt Alliance. The impacts of putting a city that is 1-3 times the population of Morgan Hill would be phenomenal. He stated that the City needs to play a broader role as the City of San Jose proceeds. He felt that the economy will be Morgan Hill's friend in this process as it was his belief that it would be 8-10+ years out before the reality of the economy will allow the City of San Jose to consider development. Even if it is 3-5 years out before development occurs, the City of Morgan Hill needs to do what it can to impose itself in this process. He felt that a lot of great ideas were presented this evening and that it is his hope that some of the ideas will be implemented.

Ms. Fitchen said that this is the background to the beginning of the process. She indicated that she sat on a technical advisory committee and tried to figure out how to leverage this position. She encouraged the City of Morgan Hill to leverage its influence on the task force. She agreed that the City of Morgan Hill would be greatly impacted with whatever takes place in Coyote Valley.

Council Member Carr said that he too attended the unveiling and that it was a good presentation. He felt that the preparation in the vision plan was great but that the preparation for schools was woefully inadequate. He noted that Coyote Valley is entirely serviced by the Morgan Hill Unified School District and the Gavilan Community College District. He noted that Gavilan College's plans are not represented in this plan. He stated that a city that will be larger than the Cities of Morgan Hill and Gilroy combined has placements of schools that are small and inadequate. The way that the school is laid out with adjacent parks, on transit corridors and open space is a great idea. He requested, as the vision moves forward, that the Greenbelt Alliance provides adequately for schools.

Ms. Fitchen said that it was possible that the school footprint would be smaller than a standard suburban school. She said that the whole philosophy of the vision would be to accommodate the needs of the new town within its envelop. She said that it was her assumption that Sobrato High School will service Coyote Valley.

Council Member Carr indicated that Sobrato High School will be filled by the time a house is built in Coyote Valley. He indicated that Ms. Fitchen was an important member of the Measure P update Committee and brought a great force to that Committee. He noted that she also works with Mayor Kennedy on the Urban Limit Line Committee.

Mayor Kennedy opened the floor to public comment. No comments were offered.

Action: *The City Council received the report. **No action taken.***

14. EXTENSION OF FIRE AND EMERGENCY MEDICAL SERVICES CONTRACT

City Manager Tewes presented the staff report. He indicated that Fire Chief Ben Lopes with Santa Clara County Fire Department was in attendance to address the Council. He stated that approximately 1.5 years ago, the Council directed staff to begin discussions with the two service providers who provide fire service to the community: South County through an automatic aide agreement and the Santa Clara County through the City's direct contract. He said that the County ran into some issues that affected their long term costs that made them cautious about making proposals. He indicated that these have now been resolved and that the costs are now predictable. Staff now has an initial proposal from the County which it believes forms the basis for potential negotiations leading to an extension of a fire services contract. He said that an option would be to enter into a formal request for proposal process as staff believes that the proposal from the County is a reasonable one; one that warrants negotiations. He stated that the City has been well served by the existing contract in many respects. He noted that 23% of the City's general fund goes toward fire protection. Therefore, implementation of the City's Fire Master Plan will be important to the City's budget planning as well as service planning for the community. He noted that the staff report summarizes the County's proposal. Staff raised a series of issues that it believes are important to discuss in negotiations with the County and the South County District.

City Manager Tewes said that staff believes that it should be the City's goal to try to reach agreement on the business terms of an extension of a contract by January 2004. He said that the Fire Master Plan acknowledges that the community is served by a contract and that much of the community is protected through automated aid agreements. The Fire Master Plan suggests that some of these provisions be codified in a contract. The issue of staffing levels is important in the proposal given by the County. The County proposes additional staffing levels at an additional cost to the City. The Fire Master Plan also indicates the need for additional staffing levels. He stated that it was important to discuss when and how to proceed with the additional staffing levels. The initial cost of the proposal also needs to be discussed. He said that the County's proposal does provide for additional staffing and suggests that it starts next fiscal year when the current contract would otherwise still be in place. This would result in an overlap with the current service contract and an extended contract to be discussed by the Council. He stated that the City would be interested in as long of an extension with reasonable terms as there are a number of uncertainties in the future. Also, to be discussed is the term of the contract. The staff report discusses the potential of repurchasing some of the fire stations and some of the physical assets that have been sold as part of the fire service extension. With the adoption of the recent development impact fee program, he said that there are opportunities for the County and the City that would result in a mutual financial benefit to pursue. The Fire Master Plan suggests that any contract extension includes service level standards. He requested Council discussion and direction on some of the policy issues.

Mayor Kennedy opened the public comment.

Fire Chief Lopes complimented the City Manager and staff on their analysis of the County's proposal. He felt that the report before the Council is fair and representative of the important issues that were discussed

over the past year to eighteen months. He said that there were a lot of important issues that have surfaced; some resulting from the Fire Master Planning process and some from discussions. The County has had a contract with the City since 1995 and the County believes that it has been an excellent relationship for Morgan Hill and the Fire Department. He said that many of the individuals serving this community have been long term employees within the community both with the County Fire department since the contract and prior to the contract with the Morgan Hill Fire Department. These individuals are dedicated to this community who understand the unique response patterns and the streets that help provide a better level of service. He addressed the full depth and breath of services that is provided by the County as a fire provider, noting that the County is a full service modern day fire department. In the staff report, there were four alternatives identified to move forward with. He indicated that he would like to comment on two of the proposed alternatives. He noted that there is an alternative to pursue a single unified fire protection agency for the urban areas in South County. He stated that County Fire is 100% behind this alternative. The County felt that this area could be served by a unified fire service whether this was the County agency or some other form of fire protection in South County. Whether or not the City continues to contract with County Fire, he encouraged the Council to continue to look at a single fire service provider based on limited resources and that this is something that the County would like to be a part of. He said that County Fire would support the City's choice of another provider if they prevailed in the long term. The second alternative suggests negotiations with existing providers for an extension of services contract. He said that County fire would like to continue to do so.

Fire Chief Lopes said that some of the important factors in continuing negotiations revolve around staffing levels. As it relates to fire response, the County is responding between 8 to 9 individuals on a first alarm. In other areas served in the north county, there are 14 to 15 individuals responding on first alarm. He noted that there is disparity in the number of individuals sent to respond on the first alarm and that this has to do with population density, available resources, etc. He said that this is an important issue for fire service and the community to address. He noted that the staff report indicates that the County's proposal suggests that the increase in staffing recommended by the master plan be provided by staff in a county station with four persons rather than increasing the south county engine company staffing from 2 to 3 persons. He clarified that the County's proposal does not pit them against South County. It was his belief that South County staffing should be increased and that it is felt that until a fire station is built, additional staff could be added to the existing companies and provide a higher level of service. He said that one of the most important elements of the contract to both parties is cost containment. He said that the County is looking at alternatives to the existing formula. He noted that the existing formula provides for cost containment but that it is cost containment at a cost to County fire. Therefore, the County never has the opportunity to catch up with costs.

Fire Chief Lopes felt that it was important to structure the contract to where it is a win win for both parties and that there is protection for the City and the Fire department in the long term to be a viable service. Another element of the proposal is contained in the Master Plan that addresses service level standards. He stated that the County is adamant about service level standards. If County Fire is to be the City's long term fire service provider, he felt that County Fire should be accountable for what it is providing under the contract. If the City looks at other alternatives for fire services, he felt that the level service standards should be something that are bench marked so that the City understands the service levels that the County provides to this community. He stated that the County looks for economy of scales to help contain costs. He said that the cost of fire protection would increase significantly in the future due

to labor costs and a growing community. This is an issue that will be faced by every community. He felt that cooperation in South County with Gilroy and the unincorporated areas could be a viable alternative through the County or through another provider to help contain the costs in the long term. He informed the Council that the unincorporated area between Gilroy and Morgan Hill is serviced by the South County Fire Protection District who contract out with the California Department of Forestry (CDF).

Council Member Sellers said that there may be a possibility that San Martin may become an incorporated area in the future and that there may be some possibilities in the near term.

Fire Chief Lopes said that these are important variables that the City needs to be informed on as this proceeds.

Mayor Kennedy said that it was his understanding that the South Santa Clara County Fire Protection District covers San Martin and provides some manpower to the CDF. It was also his understanding that the South Santa Clara Fire District has a station in San Martin and that there was another fire station southwest of Gilroy.

Fire Chief Lopes said that there is an entity that has geographical boundaries called the South County Fire Protection District. They do not have personnel on board but contracts for this labor force through CDF.

A representative with the CDF indicated that Station 1 is located at the Headquarters' facility on Monterey Road, Station 2 is located off of Masten Avenue, and Station 3 is located at the entrance to Bonfante Gardens. In addition to this, the Fire District has a CDF engine located in the Pacheco area that is staffed year round for response. He said that the South Santa Clara County Fire District has a contract with CDF for personnel and administration of their fire department. He said that the CDF administration is in full support of a unified protection for the South County area.

Council Member Carr inquired whether the idea of a South County regional area that includes Morgan Hill and the South County Fire Protection District but not be the City of Gilroy is feasible?

Fire Chief Lopes did not believe that fire protection has to be done altogether. However, one of the important things in putting together any consolidation would be to identify the service levels to be expected. With the existing resources, it needs to be determined whether services can be provided with the available resources.

Council Member Carr stated that it was encouraging to hear that two of the three entities are interested in a consolidated effort. If the City of Gilroy is not interested, he recommended that conversations regarding incremental steps be presented to that City.

No further comments were offered.

City Manager Tewes said that staffing levels for engine companies is an important issue to discuss. He said that CDF always provides at least 2 individuals per engine and occasional it is more than this number. He stated that Santa Clara County and all fire agencies have an automatic and mutual aid agreement. The Fire Master Plan suggests that the City contracts with South County to bring contractual

obligations and responsibilities to allow South County to have additional staff resources because they respond to emergency incidents in the southern portion of the City.

Council Member Tate stated that the Council studied the usage patterns in detail during the Fire Master Plan update. He said that the volumes of calls out of the El Toro Fire Station are high in comparison to other stations. He noted that Fire Chief Lopes suggests that this issue needs to be addressed sooner rather than later, at the same time addressing the fact that the City needs a third station guaranteed in the southern part of town. He felt that there are several urgent needs that can be looked at separately or together that need to be addressed.

Mayor Kennedy noted that Fire Chief Lopes was not opposing the City's discussions with the South County Fire District.

Council Member Sellers said that staff has provided the Council with a variety of options for pursuing fire protection services. He concurred that the City has had good fire service in the last few years through this contract and that it would make sense to proceed and would support staff's recommended action. He said that he would support the negotiation of a long term contract. However, the jurisdiction issue gives him pause to consider. He requested that staff return to advise the Council as to the climate of what might happen in Gilroy and San Martin in the interim to determine if it would make sense to pursue a longer term contract or whether it would be wiser to go for a shorter, mid term contract, understanding that there may be some economies of scale in future years.

Council Member Tate recommended that the contract be approached as a long term contract, making provisions for "what if" issues that would occur intermediate to this.

Council Member Chang noted that \$1.4 million has been set aside for fire service. In looking at the programs, it appears that another \$1 million per year will be needed in order to provide fire services.

City Manager Tewes clarified that the current contract cost in the 9th year in a 10 year agreement is \$3.7 million based on certain cost adjustment factors. He stated that the City has received a proposal from County Fire that addresses additional staffing levels beginning next fiscal year. With this additional staffing level, County Fire proposes a contract cost in the initial year of \$4.6. million. This would result in \$900,000 in additional costs next year, more than is being paid this year for a different level of service. Staff would like to talk about the level of staffing and the additional cost. A third factor is the adjustment that would be built into any contract for future increases. This is the County's proposal, indicating that staff is not asking that the Council accept their proposal. Staff is requesting that the Council allow staff to negotiate with County Fire.

Mayor Kennedy inquired whether there would be a benefit to investigating and discussing a regional fire plan without slowing down negotiations for an agreement with the City.

City Manager Tewes said that even if the consolidation of fire services is a good idea, this would take years to implement as it would take a while to develop consensus among the leaders in South County. This would require a vote of the people along with a lot of planning, implementation and transition. He stated that the extension of a service contract is not incompatible with a strategy to try to work on a longer

range district.

Mayor Kennedy recommended that a letter be sent to the City of Gilroy and the community of San Martin to determine interest in a unified south county fire service approach without slowing down the negotiation process.

Council Member Carr recommended that the Council think about its strategy and how to approach Mayor Kennedy's recommendation. He agreed that this is the time to start discussions on a unified south county fire service approach but not to slow down the City's negotiations in anyway. He recommended that the Council think this through and put together a strategy before sending out a letter of interest to Gilroy and San Martin. He noted that there were four options presented by staff and that the Council was only discussing the two options raised by Fire Chief Lopes.

City Manager Tewes informed the Council that staff is recommending one of the options. Staff recommends that the City authorize staff to begin negotiations to extend the fire service contract. Staff could also begin the long range discussions for a unified fire district. If an agreement cannot be reached by the timeline suggested, staff would return to the Council and still have sufficient time to address other options.

Council Member Carr said that there were some bullet points presented by staff that were important to him. He said that the implementation of the fire master plan was important as well as the potential of the repurchase of land and fire stations as the infrastructure is important to the long term needs.

Mayor Pro Tempore Chang stated that the City also needs to find additional funding.

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Chang, the City Council unanimously (5-0) **Authorized** the Negotiations with the Santa Clara County Fire Department to Extend the Current Service Contract Beyond June 30, 2005; and **Authorized** Negotiations with South County Fire District (CDF) Regarding Implementation of Fire Master Plan Recommendations.*

15. WATER RATES

Director of Finance Dilles presented the staff report. He said that it is clear that a minimum of 2% water rate increase will be necessary by January 2004 in order to cover operating costs and to meet the minimum reserve levels specified by the Council. He said that the percentage rate increase is attributed to the perchlorate costs being incurred, higher costs associated with some projects, and higher operating costs. He indicated that the Santa Clara Valley Water District has increased the tax that is paid for personal water use from \$140 an acre foot to \$160 an acre foot as of July 2003, increasing the cost of buying water by 14%. In addition, the Water District projected the need to increase the cost of water for the next five years at an additional \$20 an acre foot. If these costs are implemented, it would result in the cost of water at \$240 an acre foot as opposed to \$140 per acre foot seen last year, doubling the cost of water within a five year period. Staff recommends that the Council accept the report and direct staff to return within 30 days with a more comprehensive analysis, explaining the details and indicating what the water rate structure should be in terms of the level of rates. He clarified that the Water Districts cost

increase is attributed to its pump tax and not the water rate. He stated that the cost to the city translates to a 2.5% increase in cost that should be passed on to the rate payer.

Council Member Sellers inquired whether the City has any options in regards to the pump tax (e.g., protesting the pump tax rate increase). He further inquired as to the anticipated range of rates that can be anticipated for January 2004.

Mr. Dilles responded that the pump tax rate increase is the Water District's decision. He said that the City could provide input on the pump rate increase. With regards to the question relating to anticipated range of water rates, he stated that he would prefer to wait to respond to this question until he studies the figures.

Mayor Kennedy said that it appears that water rates will need to be increased significantly to accommodate the increase costs of water that is provided by the Water District as well as additional costs to handle the perchlorate treatment problem.

Mr. Dilles informed the Council that staff has seen the City's operating costs and some of the capital costs be higher than what was original projected in the study.

Council Member Carr inquired whether the City knew about the Water District's increase in pump tax at the time the City went through the process with the consultants and public workshops about the water fees.

Mr. Dilles responded that staff knew that the Water District were discussing potentially higher rates but that it was not known if they were to be implemented. Staff did not want to propose a rate increase if it was not necessary. Therefore, staff took the cautious view on what the inflation would be and kept it at 3%. Staff did receive feedback at the latter part of the study about the discussion and proposal to increase the pump tax. Staff did not want to act in advance to the Water District's action. Staff wanted to review their recommendations and the proposed tax increase to respond to whether the pump rate increase was justifiable.

Council Member Carr indicated that the South County Regional Wastewater Authority (SCRWA) protested the water pump rate increase. The Water District attended a SCRWA meeting where SCRWA made a different presentation to them. He said that the Water District's pump increase would be a disincentive for recycle water that is being pushed by SCRWA for agricultural users, golf courses, and other users. This would become a disadvantage because the tax rate increases at a different amount and would increase for recycled water.

Mayor Pro Tempore Chang stated that she was at a quarterly meeting attended by all cities representatives and that there was extensive conversation about the rate increase. She indicated that cities protested the pump rate tax increase proposed by the Water District. It was pointed out that the north county pays a higher rate versus South County. She did not recall seeing the \$260 rate as SCRWA tried to cap the amount. She said that the SCRWA Board will need to conduct a workshop as the Water District is talking about placing additional monies, or a facility for reclaimed water/future capacity inside the treatment plant.

Mayor Kennedy opened the floor to public comments. No comments were offered.

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Accepted** the Finance Director's Report Concerning Water Rates; and **Directed** Staff to Return within One Month with a full Analysis of Water Revenues and Costs; and with Proposed Water Rates Through 2007.*

Council Member Carr stated that all Council members have received some input from the public about the water rates. He said that if staff is going to return with the idea of increasing water rates, the Council should also discuss strategies for decreasing water usage and conservation, including educating the public about these issues. He noted that the Council discussed this a couple of years ago when it discussed the City's energy strategy a how to decrease its energy uses.

FUTURE COUNCIL-INITIATED AGENDA ITEMS

No items were identified.

CLOSED SESSION

Agency Counsel/City Attorney Leichter announced the closed session items that were continued from earlier this evening.

RECONVENE TO CLOSED SESSION

Chairperson/Mayor Kennedy adjourned the meeting to Closed Session at 9:30 p.m.

RECONVENE

Chairperson/Mayor Kennedy reconvened the meeting at 9:40 p.m.

CLOSED SESSION ANNOUNCEMENT

Agency Counsel/City Attorney Leichter announced that no reportable action was taken in closed session.

ADJOURNMENT

There being no further business, Chairperson/Mayor Kennedy adjourned the meeting at 9:41 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, AGENCY SECRETARY/CITY CLERK